

Message Text

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ACTION EB-07

INFO OCT-01 ARA-06 ISO-00 FEA-01 ERDA-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FPC-01 H-02 INR-07

INT-05 L-03 NSAE-00 NSC-05 OMB-01 PM-04 USIA-06

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FM AMEMBASSY LIMA

TO SECSTATE WASHDC 7387

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EO 11652: N/A

TAGSC ENRG, PE

SUBJECT: TRANS-ANDEAN PIPELINE

REF: LIMA 8718

1. IN A RECENT SPEECH, PETROPERU PRESIDENT FERNANDEZ BACA STATED THAT PETROPERU STILL REQUIRES FINANCING FOR THE \$100 MILLION LOCAL COSTS FOR THE TRANS-ANDEAN PIPELINE. HE ADDED THAT BECAUSE PETROPERU MUST PAY THE GOP \$150 MILLION IN TAXES, IMPORT DUTIES, ETC., HE WILL REQUEST A MORATORIUM ON THESE CHARGES, IN WHICH CASE THE PIPELINE WILL NOT REQUIRE ADDITIONAL FINANCING.

2. FERNANDEZ BACA NOTED THAT THE PIPELINE WILL BE COMPLETED IN THE SECOND HALF OF 1976. FILLING THE PIPELINE WILL REQUIRE THREE MONTHS, AT WHICH TIME 45,000 BARRELS PER DAY WILL BE PUMPED. THIS FIGURE WILL RISE TO 100,000 BARRELS PER DAY WHEN THE OCCIDENTAL SPUR LINE IS COMPLETED.

3. QUESTIONED ON THE CURRENT PRICE OF GASOLINE,
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FERNANDEZ BACA SAID THAT PETROPERU IS STILL SELLING

GASOLINE AT LESS THAN COST, ABSORBING A LOSS OF ONE MILLION SOLES (\$22,000) PER DAY.

4. COMMENT: THE PIPELINE, LIKE OTHER GOP PROJECTS (MOST NOTABLE IS THE HUGE MAJES IRRIGATION PROJECT IN SOUTHERN PERU), HAS SUFFERED THE EFFECTS OF THE RECENT VERY TIGHT LIQUIDITY SQUEEZE IN THE ECONOMY. ALTHOUGH MINISTER OF ECONOMY AND FINANCE BARUA HAS STATED THAT THE GOP WILL TAKE MEASURES TO ALLEVIATE THIS "CASH CRUNCH", SUCH MEASURES WILL PROBABLY NOT BE RAPID ENOUGH TO HELP PETROPERU. MAJES SOLVED ITS PROBLEMS BY OBTAINING A LOAN FROM THE BANCO DE LA NACION WHICH MAY NOT BE ABLE TO SIMILARLY ASSIST PETROPERU. FURTHERMORE, THE INTERNATIONAL FINANCIAL COMMUNITY, ALREADY WELL AWARE THAT PERU'S OIL PRODUCTION FUTURE IS NOT AS ROSY AS EXPECTED, MAY BE HESITANT ABOUT EXTENDING FURTHER CREDIT TO THE GOP FOR ITS OIL ACTIVITIES. IF THE GOP IS NOT ABLE TO GENERATE THE NECESSARY CREDIT, WHETHER LOCALLY OR THROUGH AN INTERNATIONAL LOAN, IT WOULD BE FACED WITH THE ALTERNATIVE OF ACCEPTING A MORATORIUM ON PETROPERU'S TAXES AND IMPORT CHARGES, A MOVE WHICH WOULD ESTABLISH AN UNWELCOME PRECEDENT FOR OTHER DECENTRALIZED PUBLIC AGENCIES, AS WELL AS INCREASE THE GOVERNMENT DEFICIT. ON THE OTHER HAND, THE GOP HAS JUST ANNOUNCED THAT A NEW LAW REGARDING BUDGET PRESENTATIONS OF GOP AGENCIES IS UNDER STUDY, WHICH MIGHT CONCEIVABLY ALTER ITS ARCHAIC SYSTEM OF INTRA-GOVERNMENTAL TRANSFERS, SUCH AS THOSE APPLYING TO PETROPERU'S PIPELINE.

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